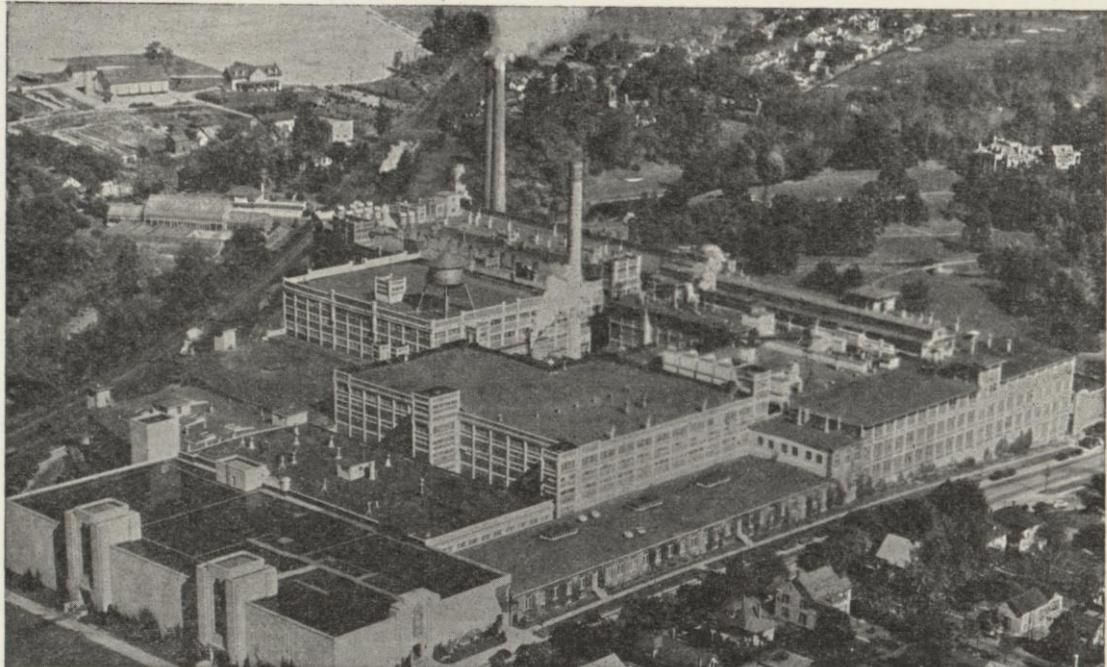


ANNUAL REPORT

DECEMBER 31, 1941



Home of Hershey's Products

HERSHEY CHOCOLATE CORPORATION
HERSHEY, PENNA.

HERSHEY CHOCOLATE CORPORATION
EXECUTIVE OFFICES, HERSHY, PA.

OFFICERS

M. S. HERSHY	Chairman of the Board
W. F. R. MURRIE	President
E. F. HERSHY	Treasurer
W. S. CROUSE	Secretary
O. E. BORDNER	Comptroller

DIRECTORS

M. S. HERSHY	Hershey, Pa.
W. F. R. MURRIE	Hershey, Pa.
E. F. HERSHY	Hershey, Pa.
L. W. MAJER	Hershey, Pa.
P. A. STAPLES	Central Hershey, Cuba
W. S. CROUSE	Hershey, Pa.
O. E. BORDNER	Hershey, Pa.

TRANSFER AGENT
CITY BANK FARMERS TRUST CO.

REGISTRAR
GUARANTY TRUST COMPANY OF NEW YORK

AUDITORS
ARTHUR ANDERSEN & CO., NEW YORK, N. Y.

HERSHEY'S

REG. U. S. PAT. OFF.



Our Stockholders, as individuals, can greatly advance the Company's interest and their own, by using HERSHEY'S Products in their homes and recommending them to others.

HERSHEY CHOCOL.

(A DELAWARE

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,058,169.72
Accounts receivable	\$ 3,245,830.80
Less - Reserve for bad debts and discounts	146,357.47
	3,099,473.33
Raw materials, goods in process and finished goods; at the lower of average cost or market	16,364,480.10
Total current assets	\$20,522,123.15

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Supplies and repair parts.....	\$ 368,118.50
Prepaid shipping expenses, insurance, salesmen's advances, etc.	177,243.03

PLANT AND PROPERTY:

Particulars	Cost	Reserves for Depreciation	Net
Land.....	\$ 115,155.40	\$ -	\$ 115,155.40
Buildings and improvements	8,815,314.17	3,937,094.79	4,878,219.38
Machinery, equipment and fixtures	13,083,023.61	8,628,169.57	4,454,854.04
	\$22,013,493.18	\$12,565,264.36	\$ 9,448,228.82
Construction in progress			98,050.56
			9,546,279.38
			\$30,613,764.06

NOTES: The Convertible preference stock is entitled to cumulative dividends at the rate of \$4.00 per share per annum. Upon any distribution of capital assets, the Convertible preference stock is entitled to receive \$50.00 per share of treasury shares, at December 31, 1941 or \$12,438,356.00 in excess of the stated value of such shares) and ac common stock in any distribution of the balance until the Convertible preference stock shall have received a in their opinion, there are no restrictions upon the surplus of the Company by reason of the excess of the pre value of such shares. The surplus accounts, however, are restricted to the extent of the cost of the treasury e

ATE CORPORATION

CORPORATION)

DECEMBER 31, 1941

LIABILITIES

CURRENT LIABILITIES:

Loans and accounts payable to affiliated companies	\$ 1,679,582.15
Accounts payable and accrued liabilities	1,769,839.85
Dividends payable February 16, 1942 on convertible preference and common stock	1,021,999.75
Reserve for Federal and state taxes (subject to review by taxing authorities)	<u>3,875,973.62</u>
Total current liabilities.....	<u>\$ 8,347,395.37</u>

RESERVE FOR PAST SERVICE ANNUITIES OF OFFICERS AND EMPLOYEES

874,600.00

CAPITAL STOCK AND SURPLUS (See note):

Convertible preference stock (without par value) -

Authorized and issued, 350,000 shares of which 78,649 shares have been converted into common stock	
Issued and outstanding, 271,351 shares (including 17,507 shares held in treasury) at stated value.....	\$ 271,351.00

Common stock (without par value) -

Authorized, 1,000,000 shares of which 271,351 shares are reserved for conversion of convertible preference stock	
Issued and outstanding, 728,649 shares (including 42,900 shares held in treasury) at stated value	728,649.00

\$ 1,000,000.00
3,297,212.48
20,890,003.90
\$25,187,216.38

Surplus at organization.....

Earned surplus

Deduct - Treasury stock, at cost -

Convertible preference stock -- 17,507 shares	\$ 1,287,635.19
Common stock	2,507,812.50

3,795,447.69 21,391,768.69
\$30,613,764.06

m, plus an extra dividend of \$1.00 per share in any year in which dividends are declared (or paid) on the common stock. (amounting in the aggregate to \$12,692,200.00 on the basis of the Convertible preference shares outstanding, exclusive cumulated and unpaid dividends (if any) before any distribution to the common stock, and shares equally with the total of \$100.00 per share and accumulated and unpaid dividends (if any). Counsel for the Company have advised that, preference of the Convertible preference shares in any distribution of the capital assets of the Company over the stated stock.

HERSHEY CHOCOLATE CORPORATION

SUMMARY OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1941

	Amount
GROSS PROFIT ON SALES (Note).....	\$15,799,158.80
SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES (Note)	<u>6,991,048.23</u>
Net profit from operations	<u>\$ 8,808,110.57</u>
OTHER INCOME:	
Profit from scrap and creamery products, discounts and other miscellaneous income, less miscellaneous deduc- tions (\$51,848.46)	<u>603,918.07</u>
Net profit before provision for income taxes.....	<u>\$ 9,412,028.64</u>
PROVISION FOR INCOME TAXES:	
Commonwealth of Pennsylvania income tax.....	\$ 249,537.30
Federal income tax	<u>2,378,861.08</u>
Federal excess profits tax	<u>839,704.89</u>
Net profit carried to earned surplus	<u><u>\$ 5,943,925.37</u></u>

NOTE: Cost and expenses include provision for depreciation on plant and equipment in the amount of \$797,743.43.

SUMMARY OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1941

Earned surplus at December 31, 1940	\$18,272,545.53
Net profit for the year ended December 31, 1941	<u>5,943,925.37</u>
	<u><u>\$24,216,470.90</u></u>
Dividends:	
Convertible preference stock (\$5.00 per share)	\$ 1,269,220.00
Common stock (\$3.00 per share)	<u>2,057,247.00</u>
Earned surplus at December 31, 1941	<u><u>\$20,890,003.90</u></u>

ARTHUR ANDERSEN & CO.
67 WALL STREET, NEW YORK

To the Board of Directors,
Hershey Chocolate Corporation:

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1941, and the summaries of profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related summaries of profit and loss and earned surplus present fairly the position of Hershey Chocolate Corporation at December 31, 1941, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 11, 1942.

ARTHUR ANDERSEN & CO.